Supreme Court, U. S.
FILED
MAR 3 1976
MICHAEL RODAK, JR., CLERK

IN THE

Supreme Court of the United States

October Term, 1975

No. 75-1037

MOOG INC.,

Petitioner,

vs.

PEGASUS LABORATORIES, INC.,

Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

PETITIONER'S REPLY MEMORANDUM

KENNETH R. SOMMER,
Attorney for Petitioner,

SOMMER & SOMMER,
1022 Ellicott Square Building,
Buffalo, New York 14203.

BATAVIA TIMES, APPELLATE COURT PRINTERS
A. GERALD KLEPS, REPRESENTATIVE
20 CENTER ST., BATAVIA, N. Y. 14020
716-343-8457

INDEX.

PAGE

Respondent's restatement of the question presented is imprecise and misleading. 1

Esoteric meaning of "file" in statute, as urged by respondent, raises a constitutional question. 2

Respondent seeks to exploit confusion of Court below that Moog and Bell negotiated grant of two patents upon one invention. 5

Table of Cases.

Bement v. National Harrow Co., 186 U.S. 70 (1902) ... 6

Douglas v. Buder, 412 U.S. 430 (1973) 2

Pearce v. United States, 226 F.Supp. 702 (W.D.N.Y. 1964) 2

United States v. G.W. Van Keppel, 321 F.2d 717 (10th Cir. 1963) 3

Statutes.

35 U.S.C. § 135(c) 2

35 U.S.C. § 261 6

35 U.S.C. § 262 6

Other Authority.

37 CFR 1.201 5

IN THE

Supreme Court of the United States

October Term, 1975

No. 75-1037

MOOG INC.,

Petitioner,

vs.

PEGASUS LABORATORIES, INC.,

Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

PETITIONER'S REPLY MEMORANDUM

Respondent's restatement of the question presented is imprecise and misleading.

Respondent's restatement of the question presented, on page 2 of its opposing brief, is imprecise and misleading because of its breadth. The question posed by respondent, phrased in a negative pregnant format, is so broad as to encompass a situation where no interference settlement agreement is ever filed, a situation clearly requiring imposition of the statutory sanction of permanent unenforceability, as well as a situation where an agreement is actually filed, albeit untimely, as in the case at bar.

Esoteric meaning of "file" in statute, as urged by respondent, raises a constitutional question.

Respondent, on page 10 of its opposing brief, states:

> "A document cannot be 'filed' in compliance with the Statute unless it is tendered at a time when the Patent Office can lawfully receive it in compliance with the Statute."

The statute, 35 U.S.C. § 135(c), directs a filing time in its first sentence, i.e., before termination. However, the statute in its third sentence mandates permanent unenforceability for "failure to file", without express reference to whether this failure occurs before termination or during the other two filing times provided for in other sentences. Respondent's position is, in effect, that the statute should be read to mean failure to "so" file, or failure to file "within the times specified herein", or the like, thus imparting an esoteric meaning to "file".

Inasmuch as the penalty provision must be strictly construed and cannot be enlarged by judicial construction, retroactive application of such construction to petitioner Moog raises a serious constitutional issue as to whether the express statutory language served to adequately forewarn Moog of the operation of its penal provision. Cf., *Douglas v. Buder*, 412 U.S. 430, 432 (1973).

The same contention made here by respondent, that the Commissioner of Patents could not technically accept a tardily submitted document, was analogously made by the Director of Internal Revenue in *Pearce v. United States*, 226 F. Supp. 702 (W.D.N.Y. 1964), cited on page 12 of the Petition. There a taxpayer, through inadvertence and mistake, failed to attach to a tax return an agreement required by the tax code regulation in order to receive long term

capital gains treatment. Noting that the taxpayer would have been clearly entitled to capital gains treatment had the specified filing procedure been made, and that no facts appeared in the case to establish that this procedural default resulted from other than mere mistake and inadvertence, the court held that the refusal of the IRS to accept the late filing was an abuse of discretion.

In the factually similar case of *United States v. G. W. Van Keppel*, 321 F.2d 717 (10th Cir. 1963), also cited on page 12 of the Petition, the agreement initially not filed with the tax return was later submitted to the Director and accepted by him for filing The court observed that nothing in the statute or regulations precluded the Director from accepting an agreement filed after the prescribed period, that the interests of the government had not been jeopardized, that the Director had been neither misled nor inconvenienced, that acceptance of the late filing was discretionary, and that fairness to the taxpayers required that the Director exercise his discretion for their benefit and failure to do so would have been an abuse of discretion.

In the case at bar, the District Court found that there was no allegation that any actual prejudice resulted to anyone from the failure to timely file the supplemental agreements (Appendix to Petition at 11a). After quoting from the District Court's Second Memorandum Opinion that the "supplemental agreement was later *filed*, but not within the time prescribed by the statute" (Appendix to Petition at 17a, 29a), the Court of Appeals stated in its own language (Appendix to Petition at 33a):

> "The supplementary agreement was not *filed* until May 2, 1966, well after each and all of the potential filing dates specified in the provisions of § 135(c)." (Emphasis added.)

Thus, both Courts below found that the supplemental agreements were filed, contrary to respondent's contention, albeit such filing was untimely.

Relative to the matter of mistake or inadvertence being present in the case at bar to excuse the tardy filing, the statement made by the Court of Appeals that "the withholding of the supplemental agreement cannot be considered an inadvertence" (Appendix to Petition at 36a), flies in the face of the following uncontroverted testimony of Oser, Bell's attorney (Oser Deposition of 10/30/68, pages 44-45):

> "Q. Can you explain why, from your point of view, copies of the Supplemental Agreements, Exhibits 52 and 54, were not filed in the Patent Office before they actually were? A. I presume it was partly oversight and partly the thought that there was no need to file these agreements in the Patent Office.
>
> Q. Wasn't it a fact, Mr. Oser, that the question of priority of inventorship had been irrevocably determined as between the parties? A. This is true.
>
> Q. As far as you know, was there any deliberate withholding of the filing of copies of these Supplemental Agreements, Exhibits 52 and 54, in the Patent Office? A. No.
>
> Q. Was there any collusion or other agreement between you and Counsel for the other side with respect to withholding filing copies of these Supplemental Agreements, Exhibits 52 and 54, from the Patent Office? A. No, there certainly was not."

This overlooked testimony, still disregarded by the Court of Appeals after being expressly called to its attention on petition for rehearing, renders clearly erroneous such Court's conclusion that the delay in filing the supplemental agreement could not be considered an inadvertence.

Moreover, the Court of Appeals implied in a footnote that an opposite conclusion might have a different legal effect (Appendix to Petition at 36a).

Respondent seeks to exploit confusion of Court below that Moog and Bell negotiated grant of two patents upon one invention.

In its Opinion, the Court of Appeals stated that the patent law is not "intended to support the negotiated grant of two patents upon one invention where the purpose and effect may be that any potential licensee must pay tribute to two separate patentholders" (Appendix to Petition at 31a). The implication of this statement is that Moog and Bell somehow collusively carved up one invention into a dominant patent granted to Bell and a subservient patent granted to Moog.

Respondent, on pages 3-4 of its opposing brief, seeks to capitalize on the confusion in the mind of the Court of Appeals regarding the incorrect belief of there being only one invention involved, by referring to "broad" and "narrow" claims, suggesting only one invention with a mere difference in scope, and that Moog and Bell "split" the interferences.

Overlooked by the Court of Appeals, and its misconception self-servingly cultured by respondent, is the fact that the Patent Office (not Moog and Bell) declared the two interferences, and that an interfering claim common to two applications must be patentable to both applicants before the Patent Office is empowered to declare an interference. 37 CFR 1.201. Once declared, the sole purpose of the interference is to determine who was the first inventor of the subject matter of the interference count, i.e., the interfering claim.

Before declaring the two interferences, the Patent Office had determined that the dominant "flexure member" and subservient "flexure tube" claims defined *two separately*

patentable inventions. Accordingly, Moog and Bell did not privately negotiate the grant of two patents on one invention, as the Court of Appeals inferred, nor did they "split" one invention into broad and narrow claims, as respondent implies.

What Moog and Bell did was to settle each interference by exchanging proofs to determine priority, a common procedure and one to be encouraged. So determining priority resulted in Bell being awarded one patent granting the right to exclude others from practicing the generic invention defined in the "flexure member" claim, and in Moog being awarded the other patent granting the right to exclude others from practicing the improved species invention defined in the "flexure tube" claim.

With the principles of 35 U.S.C. § 262 in mind that joint owners of a patent may practice the patented invention without the consent of and without accounting to the other owners, in the absence of an agreement to the contrary, Moog and Bell appreciated, after the priority determinations were made, that exclusive control of each patent should belong to the assignee of the first inventor, subject to the outstanding license to the losing non-owner (Appendix to Petition at 31a-33a). This is what was achieved by the supplemental agreement, i.e., the right of the non-owner to sublicense was revoked, but the license to the non-owner remained. This change in effective ownership from joint to sole did not violate the antitrust laws, nor could possibly have had any antitrust implication, because 35 U.S.C. § 261 authorizes the general transferability of patent rights and ownership. Long ago, this Court stated in *Bement v. National Harrow Co.*, 186 U.S. 70, 91 (1902), that "the general rule is absolute freedom in the use or sale of rights under the patent laws of the United States".

The Court of Appeals recognized effective joint ownership of the inchoate patents under the 1964 Moog-Bell agreements (Appendix to Petition at 33a), but apparently felt that separation of ownership of the two patents, achieved by the 1965 Moog-Bell supplemental agreements, was anticompetitive and *ipso facto* fraught with antitrust implications.

These "anticompetitive" and "antitrust" overtones have been picked up by respondent on page 12 of its opposing brief. They emphasize the lack of understanding of the patent laws, and also the patent laws vis-a-vis the antitrust laws, which this Court should clarify.

Respondent's brief in opposition does not erase the existence of compelling reasons for granting the petition for a writ of certiorari.

Respectfully submitted,

KENNETH R. SOMMER,
Attorney for Petitioner,

SOMMER & SOMMER,
1022 Ellicott Square Building,
Buffalo, New York 14203.